

Research, Development, and Marketing of Value-Added Pork Products

Location of Project: Mifflinburg, Pennsylvania (Northeast Region)

Purpose: The primary goals of this project were to conduct research in order to help small/independent pork producers market value-added pork products to consumers, and develop appropriate pricing structures, labels, packaging, products, and marketing materials to support these efforts. This effort was led by agents from the Pennsylvania State University Cooperative Extension Service and officials from the Bucknell University Small Business Development Center.

Accomplishments: To support an expansion of direct sales of value-added pork products by farmers, the project was divided into three distinct phases: research, product development, and marketing. During the research phase, a variety of issues pertaining to retail meat marketing were explored. These issues included USDA and Pennsylvania Department of Agriculture meat retail regulations, legal and liability issues, refrigeration systems, certified slaughter facility requirements and the probable availability of consumer

markets for locally-raised pork products. To carry out this phase of the project, the following activities were undertaken by project organizers:

- Making numerous phone calls to pertinent government agencies to understand the current regulatory environment for meat marketing
- Arranging a meeting with an attorney to discuss various types of potential business structures
- Arranging meetings with various insurance agents to receive multiple quotes on liability policies
- Touring potential slaughter and processing facilities
- Visiting various farm markets where meat products are sold directly to consumers
- Conducting literature searches at the library and on the Internet
- Contacting producers who were likely to be interested in value-added marketing of pork products
- Checking newspaper and phone book advertisements about refrigeration systems appropriate for storing and transporting meat products

- Subscribing to and reading trade magazines to remain current with consumer trends and value-added marketing

The product development phase involved formulating a business and marketing plan, establishing pricing structures, designing a logo, labels, and packaging for the pork products, and creating promotional brochures. To accomplish these goals, project managers worked with a graphic designer at Bucknell University's Small Business Development Center to develop a logo and labels that would solidify brand identity and comply with government regulations. During this phase of activity:

- Slaughter and processing facilities were chosen;
- Hazard Analysis Critical Control Points (HACCP) guidelines were established;
- Required licenses and liability insurance were acquired;
- Pork products were developed and packaging was selected;
- Slaughter and processing schedules were developed;
- Labels and promotional brochures were printed; and
- Advertising was purchased.

Marketing, the third and final phase of this project, included the actual process of taking orders, processing hogs into retail pork

cuts, and delivering products to customers. This phase involved selecting market days, taking orders, determining the number of hogs needed to meet the orders and sending the hogs to the chosen slaughter facility. Project managers also needed to decide exactly how the various primal cuts of meat would need to be processed to meet customer demand (e.g., fresh or smoked pork chops, whole or sliced hams, etc.)

After extensive research and time spent on product development, the first pork products were retailed in December 2000. While there were many obstacles to overcome and deadlines for reaching the individual goals were delayed, the overall project goal of creating a technically and regulatory sound method for adding value to the hogs was accomplished.

Lessons Learned: Some unexpected findings involved the meat processing portion of the project. The biggest surprise to the project managers was the small number of properly regulated slaughter/processing facilities that were available and willing to work with the group on the project. The unconventional idea of “the farmer” also being “the retailer” was foreign, if not downright suspicious, too many of the slaughter/processors interviewed. Additionally, under the new Hazard Analysis and Critical Control Point (HACCP) regulations

and two-tier government certification process in Pennsylvania (one for slaughter, one for further processing), it was discovered that the only way to get pork products processed in a regulatory sound fashion was to utilize two separate USDA certified facilities, one for slaughter/packaging and one for processing. This additional step resulted in increased expense, communication, time delays, and a greater potential for error.

Given the complication involved in needing to use two separate USDA certified facilities, the biggest economic challenge of this project was ensuring that producers were able to make profit at each stage of further processing without making the cost of the finished product prohibitive to the consumer. Large companies that specialize in one or more of these processing steps usually have economies of scale, proper equipment, sufficient markets and efficient systems in place for adding value with low overhead. Because of the newness and small size of the project, higher overhead costs were incurred, resulting in smaller profit margins. Unfortunately from the consumer's perspective, this resulted in higher prices over many brand name pork products. However, many consumers felt that the quality and the local origin of the products were worth the price difference.

The other advantage that large commercial slaughter/processing facilities have developed is the capability of utilizing every part of the hog. The parts discarded in the value-added process could represent a major difference in the final profit margin. A representative of a very large commercial slaughter facility interviewed by the project managers noted that the key in being efficient and realizing a sizable profit was by using “*all parts of the pig except the squeal.*” At that facility, ears and hooves were processed into dog chews, blood was collected for blood meal, bones were ground into bone meal, and many other by-products were created in order to help lower the cost of the premium products.

The third major economic consideration of this project and how it relates to the farm profitability was the size of the project. Compared to standard processing businesses that produce 6,500 to 7,000 market hogs annually, this project only utilized 27 hogs in a 3 month period. On an annual basis, that would equate to approximately 108 hogs per year. Even with a substantial profit per hog, the revenue obtained from processing 108 hogs would not be enough to sustain the operation. Greater production volume would need to be established in order to profitably sustain the hog enterprise. Wholesaling to supermarkets, getting a food distributor

to carry the products or further outsourcing of portions of the marketing activity would be necessary.

Conclusion:

Over the course of the project, the project managers changed some of their initial marketing ideas, eventually concluding that product research and development need to evolve in tandem with marketing efforts. In addition, they recommend taking the following actions to increase the chances that a direct marketing campaign for value-added pork products will be successful:

- Strong emphasis on advertising
- Website development
- Catalog development with full color photographs of the products
- Assembly of a refrigerated delivery system, crucial to future sales growth
- Modification of slaughtering, processing, and packaging activities to become more efficient
- Discovery of uses for parts of the animal that are presently discarded